



ARTHUR ANDERSEN

DELGADO COMMUNITY COLLEGE FOUNDATION, INC.

FINANCIAL STATEMENTS

AS OF JUNE 30, 1999

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/30/02

DELGADO COMMUNITY COLLEGE FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 1999

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ARTHURANDERSEN

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Delgado Community College Foundation, Inc.:

We have audited the accompanying statement of financial position of the Delgado Community College Foundation, Inc. (the Foundation) as of June 30, 1999, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of management of the Foundation. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Due to the small size of the administrative staff of the Foundation, accounting controls exercised over voluntary contributions prior to the initial entry of such contributions in the accounting records are limited. It was impracticable to extend our auditing procedures related to receipts beyond assessing the amounts recorded.

In our opinion, except for the effect of such adjustments, if any, that might have been required had the receipts from contributions referred to above been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 1999, and the changes in net assets for the year then ended in conformity with generally accepted accounting principles.

Arthur Andersen LLP

New Orleans, Louisiana,
October 8, 1999

DELGADO COMMUNITY COLLEGE FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 1999

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CASH AND CASH EQUIVALENTS	\$ 115,405	\$ 562,974	\$ 34,172	\$ 712,551
PLEDGES RECEIVABLE	-	64,788	-	64,788
INVESTMENTS AND ENDOWMENT FUNDS (Note 4)	-	244,251	-	244,251
PREPAID EXPENSES				
Total assets	<u>3,817</u>	<u>-</u>	<u>-</u>	<u>3,817</u>
	<u>\$ 119,222</u>	<u>\$ 872,013</u>	<u>\$ 34,172</u>	<u>\$ 1,025,407</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
ACCOUNTS PAYABLE	\$ 13,500	\$ -	\$ -	\$ 13,500
COMMITMENTS (Note 6)	-	-	-	-
FUND BALANCES (Note 2):				
Unrestricted	63,924	-	-	63,924
Literacy Center Fund	-	106,606	-	106,606
Challenge Grant Endowment Fund	41,798	416,797	-	458,595
Restricted Capital Development Fund	-	322,575	-	322,575
Adopt-a-Prof Temporary Fund	-	12,035	-	12,035
Overture Endowment	-	14,000	34,172	48,172
Total fund balances	<u>105,722</u>	<u>872,013</u>	<u>34,172</u>	<u>1,011,907</u>
Total liabilities and fund balances	<u>\$ 119,222</u>	<u>\$ 872,013</u>	<u>\$ 34,172</u>	<u>\$ 1,025,407</u>

The accompanying notes are an integral part of these financial statements.

DELGADO COMMUNITY COLLEGE FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 1999

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT:				
Contributions	\$ 4,879	\$ -	\$ -	\$ 4,879
Dividends and interest (Note 4)	10,969	33,507	-	44,476
Realized gain on investments	226	67	-	293
Unrealized loss on investments	<u>(7,426)</u>	<u>(2,218)</u>	<u>-</u>	<u>(9,644)</u>
Total revenue and support	<u>8,648</u>	<u>31,356</u>	<u>-</u>	<u>40,004</u>
Net assets released from restrictions	<u>38,827</u>	<u>(38,827)</u>	<u>-</u>	<u>-</u>
EXPENSE:				
Supporting services - Fundraising- Development program	64,119	-	-	64,119
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support services	64,119	-	-	64,119
Management and general expenses	<u>19,687</u>	<u>-</u>	<u>-</u>	<u>19,687</u>
Total expense	<u>83,806</u>	<u>-</u>	<u>-</u>	<u>83,806</u>
CHANGE IN NET ASSETS	(36,231)	(7,571)	-	(43,802)
FUND BALANCES, beginning of period	<u>141,953</u>	<u>879,584</u>	<u>34,172</u>	<u>1,055,709</u>
FUND BALANCES, end of period	<u>\$ 105,722</u>	<u>\$ 872,013</u>	<u>\$ 34,172</u>	<u>\$ 1,011,907</u>

The accompanying notes are an integral part of these financial statements.

DELGADO COMMUNITY COLLEGE FOUNDATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 1999

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (43,802)
Decrease in pledges receivable	28,571
Increase in prepaid expenses	(1,271)
Decrease in accounts payable	(26,218)
Realized and unrealized gains and losses on investments	<u>9,351</u>
Net cash used in operating activities	<u>(33,369)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of investments	154,360
Purchases of investments	<u>(97,240)</u>
Net cash provided by investing activities	<u>57,120</u>

NET INCREASE IN CASH

23,751

CASH, at beginning of year

688,800

CASH, at end of year

\$ 712,551

The accompanying notes are an integral part of these financial statements.

DELGADO COMMUNITY COLLEGE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 1999

1. BACKGROUND AND GENERAL DATA:

The Delgado Community College Foundation, Inc. (the Foundation) is a nonprofit corporation organized under the laws of the State of Louisiana on June 1, 1988 to:

- A. Promote the educational and cultural welfare of the Delgado Community College (Delgado) and develop, expand and improve Delgado's facilities to provide broader educational advantages and opportunities, encourage research and increase Delgado's usefulness;
- B. Assist any student to continue his or her studies within Delgado; aid and facilitate any line of work or research in the areas embraced in the objects and purposes of Delgado; and generally, interpret the aims, objectives and needs of Delgado to the public with a view to better mutual understanding and progress; and
- C. Solicit and accept grants and bequests, including funds of all kinds, to provide scholarships, and activities in research, or such other designated benefits for Delgado and its facilities and students.

The Foundation is governed by a Board of Directors. Prior to the organization of the Foundation, the Delgado Community College Development Foundation (the Development Foundation) represented the support organization for Delgado. On June 13, 1988, the past Chairman and Liquidator of the Development Foundation and the Delgado Entertainment Group, Inc. (an affiliated entity) authorized the transfer of all funds of such entities to the Foundation. The Development Foundation had not maintained detailed records to document the assets, liabilities and unrestricted/restricted fund balances, but management of the Foundation believes that all funds maintained by the Development Foundation were transferred and that the funds transferred were not restricted as to use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Fund Accounting

The accounts of the Foundation are maintained in accordance with the principles of fund accounting under which resources for various purposes are classified into funds according to specified activities or objectives. The Foundation has six funds which are described below:

Unrestricted Fund - This fund is used to account for unrestricted revenues and expenditures.

Temporarily Restricted Funds include the following four funds:

Challenge Grant Endowment Fund - This fund is used to account for a grant received from the U. S. Department of Education which is being administered by the Foundation.

Restricted Capital Development Fund - This fund is used to account for contributions to the Foundation whose use has been restricted by donors for capital improvements.

Adopt-a-Prof Fund - This fund is used to account for contributions to the Foundation which the donor has designated for the purpose of obtaining endowed professorships. Once a specified level of donations are obtained, the funds are transferred to Delgado to be used in the endowment program.

Literacy Center Fund - This fund is used to account for contributions to the Foundation to create a Literacy Center on Delgado's City Park Campus.

Overture Endowment Fund - An endowment scholarship fund was established by the Foundation in accordance with the gift instruments from the Overture to the Cultural Arts. The corpus is permanently restricted; however, the interest income generated from the corpus is temporarily restricted.

Contributions

Contributions and pledges received are recognized as revenues in the period received at their fair values and contributions and pledges made are recognized as expenses in the period made at their fair values.

Investments

Investments are reported at fair value, with the related gains and losses included in the statement of activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. INCOME TAXES:

The Foundation is exempt from state and Federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1954.

4. INVESTMENTS:

As of June 30, 1999 (see Note 2 also) the investments of the Foundation consisted of the following:

<u>Description</u>	<u>Cost</u>	<u>Market</u>
Equity securities	\$ 95,379	\$ 117,917
U. S. Government securities	<u>126,334</u>	<u>126,334</u>
Total	<u>\$ 221,713</u>	<u>\$ 244,251</u>

5. PLEDGES RECEIVABLE:

In 1996, Hibernia Bank made a pledge to the Foundation of \$100,000, to be paid in installments of \$25,000 over four years. Hibernia has made one installment payment. The current receivable balance reflects the three remaining installments that are due, discounted at 5%.

6. COMMITMENTS AND CONTINGENCIES:

Consulting Contract

During fiscal 1997, the Foundation entered into a contract with an independent contractor to perform general and administrative and support services as directed by the Foundation. The contract terms provide for compensation of \$3,500 per month for 87 hours of work per month. Additional hours are billed at the rate of \$40 per hour. The contract can be terminated by either party upon 90 days written notice.

Auto Lease Payments

Included in Management and General Expenses are monthly lease payments and the related insurance on an automobile utilized by the President of Delgado, who is also a member of the Board of the Foundation, totaling \$10,433 in 1999. Future minimum rental payments required under the lease at June 30, 1999 are approximately \$11,770.

Student Life Center

The Board of Directors has approved going forward with a plan which will result in the Foundation providing a vehicle for financing the design and construction of a Student Life Center on the Delgado campus. The transaction is proposed to be structured as described below.

The Board of Trustees for State Colleges and Universities (the "Board of Trustees") will enter into a Ground Lease Agreement with the Foundation for the site on which the proposed Student Life Center (the "Facility") is to be constructed. The Foundation will prepare, with the assistance of Delgado officials, and send to interested developers a request for proposals outlining the scope of the proposed Facility and requesting that the developers submit proposals for the design and construction of the Facility to the Foundation. The Foundation will select a developer, enter into a design and construction contract with that developer and the developer will construct the Facility on the land leased to the Foundation by the Board of Trustees.

Title to the Facility itself (but not the underlying land) is to be held by the Foundation. The Foundation would lease the Facility to Delgado pursuant to a Facility Lease Agreement under which Delgado would lease the building and agree to operate the Facility. The Facility Lease Agreement would require Delgado to pay rent in an amount sufficient to pay debt service on bonds issued on behalf of the Foundation (see discussion below) to fund the construction of the Facility. The Facility Lease Agreement would be for a 29 year term and would contain a provision that title to the Facility reverts to Delgado at the end of its term.

The Foundation itself does not have the authority to be the issuer of the tax-exempt bonds. Therefore, a separate entity which is qualified to issue tax-exempt bonds will be the issuer of the bonds. That issuer would enter into a loan agreement with the Foundation pursuant to which the issuer would loan the proceeds of its bonds to the Foundation to pay for construction of the Facility and the Foundation would repay the issuer using the rent payments it receives from Delgado under the Facility Lease Agreement.

The estimated cost of the project is \$4,350,000, and the estimated completion date is August 2000. Approximately \$4,500,000 of bonds are to be issued to cover the cost of the Facility. The payments of the bonds are to be covered by a student fee assessed on the City Park Campus students only, which will be \$15 per student for the fall and spring semesters and \$5 for the summer semester.

The proposed transaction was approved by the Board of Trustees and the Louisiana State Bond Commission. Subsequent to year end, the City of New Orleans also approved the new construction.

7. RELATED PARTIES

Delgado Community College provides the Foundation with facilities and administrative personnel free of charge. The value of these services was approximately \$20,000 in fiscal year 1999.